

NEW ISSUECONFIDENTIAL MEMORANDUM

(For Internal Use Only)

200,000 Shares

(without par value)

MINIDYNE INTERNATIONAL LIMITED

Price: \$2.50 per share

Note: This memorandum is for internal information only and is not a prospectus or an offering thereunder.

A copy of the preliminary prospectus is available upon request.

MINIDYNE INTERNATIONAL LIMITED

Price: \$2.50 per share

Shares outstanding
(on completion of
this financing): 520,005

Public Offering: 200,000 shares

THE COMPANY

Minidyne International Limited was incorporated under the laws of Ontario in July 1970. It intends to establish and operate a large number of small retail gasoline stations (Gasbars). These Gasbars will initially be located in Ontario and Quebec and eventually throughout Canada. The Company intends to construct a minimum of five Gasbars per month.

Gasbars are portable units, manufactured to the Company's specifications. They are to be located on leased property such as parking lots, shopping centres and existing service stations where the changing nature of the gasoline retailing industry makes the operation of a traditional gas station uneconomical. In the case of existing gas stations, the original station building would be converted into a small convenience or discount store, offering parking and neighbourhood facilities which would logically combine with the sale of gasoline. Both Mac's Milk Ltd. and the Becker Milk Co. Ltd. have agreed to a joint venture with Minidyne in taking over many hundreds of existing "sick" service stations from the major oil companies. Minidyne would continue to pump the gasoline of the major oil company from which the station was taken over.

THE RETAIL GASOLINE INDUSTRY

While the demand for gasoline continues to increase (estimates would place that increase at 47% over the next ten years), the industry in its traditional form is subject to some severe difficulties.

In most areas land costs, building costs, equipment costs and labour costs combine to make a new gas station a very expensive matter. While convenience to the motoring public dictates a large number of retail outlets, such outlets at, say, \$300,000. per unit, represent an almost insurmountable capital outlay. In addition, modern automobiles require sophisticated repair facilities and the increasing costs of such repairs require a degree of efficiency and equipment not available to each and every neighbourhood gas station. In Canada it is estimated that there are thousands of service stations losing money.

It is, therefore, Minidyne's opinion that over the next ten years the shape of the retail gasoline industry will change as follows:

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- gasoline and a few basic automotive requirements will be sold from small, inexpensive, stripped-down outlets such as gasbars, and
- repairs will be handled by large, efficient diagnostic centres and automobile dealers.

The major oil companies cannot enter the "Gasbar" field themselves because -

- (a) If they owned a Gasbar they would compete with their own dealers
- (b) If they leased the Gasbar, the Lessee could not make any money.

GENERAL DESCRIPTION OF A GASBAR

A gasbar is a small, attractive, free-standing building of approximately 170 sq.ft. in area, requiring leased space of only 1200 to 2000 sq.ft. The gasbar itself is prefabricated and capable of relocation within a few days. It covers only 6 to 8 parking spaces in a parking lot.

Land for a gasbar is leased from the owners of parking lots, shopping centres, vacant lots and existing service stations, on a ten-year lease, with renewal clauses. The lease is attractive to the landowner since it will give him greater revenue on the land that he owns without capital investment by him. Because of the portability of the unit, the arrangement is reasonably flexible.

The total capital cost of a gasbar to Minidyne is about 5% of the cost of the average two-bay gas station. With such costs, and bearing in mind equally low operating costs, the return per gallon sold to Minidyne should be very much higher than average. Gasoline will be sold at a discount.

All gasbars will be owned by Minidyne and operated by Minidyne's employees. All will be attractively displayed and will feature rapid and polite service. As an additional feature, Minidyne will vacuum the interior of each automobile, free of charge, with every gasoline purchase.

THE BP DEVELOPMENT AGREEMENT

On October 23, 1970 the Company entered into a non-exclusive agreement with BP Oil Limited, whereby BP will have first right of refusal to supply gasoline to any gasbar established by Minidyne in Ontario and Quebec, on a new piece of land.

BP and Minidyne will enter into cross leases on approved gasbars giving BP security of tenure in return for which BP will provide pumps and signs and a rental payment of 5¢ per gallon. BP will also provide Minidyne with an interest-free loan of \$3,000. per unit repayable at a rate of 1-1/2¢ per gallon of gasoline purchased from BP.

In addition, BP will assist the Company in site selection and promotion. All BP, Diner's Club, American Express and certain other credit cards will be honoured by Minidyne.

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Minidyne hopes to eventually carry the identification of all the major oil companies from whom they have leased service stations, so that there will be a chain of Minidyne BP Gasbars, Minidyne Sunoco Gasbars, Minidyne Texaco Gasbars, etc.

Projections - Based on 5 Gasbars Per Month

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Sales	\$3,900,000	\$11,700,000	\$19,500,000	\$27,300,000	\$35,100,000
% Increase		200%	66-2/3%	40%	28%
Net Profit	153,000	510,000	850,000	1,197,000	1,569,000
Earnings per Share (based on 520,000 shares)	.30¢	.98¢	\$1.60	\$2.30	\$3.00

MANAGEMENT

<u>Position</u>	<u>Name & Address</u>	<u>Principal Occupation</u>
President & Director	William L. Seigel, C.A. 120 Shelborne Avenue, Toronto, Ontario	President, Minidyne International Limited
Executive Vice-President, Treasurer and Director	Kenneth Le Doux 55 Wynford Heights Cres. Don Mills, Ontario	Executive with Minidyne International Limited
Vice-President & Director	Ian R.M. Blair 55 Brownlow Road, Suite 1109, Toronto, Ontario	Executive with Minidyne International Limited

William L. Seigel is a Chartered Accountant and for the past two years was senior partner in the firm of William L. Seigel & Company. Prior to that time he was Vice-President, Finance and Administration, of Levy Industries Limited.

Kenneth Le Doux is a specialist in lease acquisitions and administration. From June 1968 to July 1970 he was employed by Fotomat Corporation, working for the parent organization as Director for Oregon and Canada from June 1969, and for the Canadian subsidiary, Fotomat Canada Limited, as regional director - Canada, from June 1969 to July 1970. Prior to that time he was a sales executive with General Electric Company, Seattle, Washington.

Ian Blair was Area Director - Toronto, with Fotomat Canada Limited for one year. Prior to that time he was General Manager with Unico Home Loans, Colony Realty Limited, Victoria and Assistant General Manager, Mantles Organization, England.

To Be Hired:

Marketing and Operating executives
from the major oil companies

The Company is also investigating the discount "self-service" stations and automatic coin machine type pumps.

MINIDYNE INTERNATIONAL LIMITED
PROJECTED OPERATING STATEMENT PER "GASBAR"

Sales:

175,000 gallons @ 47.9¢, regular	\$ 83,825	
75,000 gallons @ 52.9¢, premium	<u>39,675</u>	\$123,500
 Sundries, oil, antifreeze, supplies etc.	 <u>5,200</u>	
	128,700	

Cost of sales:

Regular, 175,000 × 36.4¢	63,700	
Premium, 75,000 × 41.4¢	<u>31,050</u>	<u>94,750</u>
 Sundries	 <u>3,500</u>	<u>98,250</u>
 Gross Profit	 <u>\$ 30,450</u>	

Direct operating costs:

Maintenance	400	
Wages (2 employees)	<u>9,000</u>	<u>9,000</u>
Land rental	<u>3,000</u>	<u>3,000</u>
Insurance	300	300
Equipment rental, cash register	300	300
Telephone	250	250
Water, taxes, licenses	400	400
Electricity and heating	600	600
Supplies	200	200
Seepage and shortages	300	300
Miscellaneous	<u>850</u>	<u>15,600</u>

**Estimated profit per Gasbar before H.O.
overhead and taxes**

\$14,850

MINIDYNE INTERNATIONAL LIMITED

PROJECTED OPERATING STATEMENTS

(Based on 250,000 gallons per year per gasbar at a gross profit of 11.5¢ per gallon, and constructing 5 gasbars per month. Gasoline to be sold at a 3¢ discount from prevailing retail prices.)

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>Fifth Year</u>
Sales	\$ 3,900,000	\$ 11,700,000	\$ 19,500,000	\$ 27,300,000	\$ 35,100,000
Cost of Sales	<u>21,964,000</u>	<u>8,892,000</u>	<u>14,820,000</u>	<u>20,748,000</u>	<u>26,676,000</u>
Gross Profit	936,000	2,808,000	4,680,000	6,552,000	8,424,000
Direct gasbar operating expenses	<u>450,000</u>	<u>1,350,000</u>	<u>2,250,000</u>	<u>3,150,000</u>	<u>4,050,000</u>
Less corporate overhead and depreciation	<u>172,000</u>	<u>350,000</u>	<u>570,000</u>	<u>765,000</u>	<u>905,000</u>
Net Profit (or Loss) before management bonuses & taxes	314,000	1,108,000	1,860,000	2,637,000	3,469,000
Management bonuses	<u>31,000</u>	<u>108,000</u>	<u>180,000</u>	<u>260,000</u>	<u>340,000</u>
Net Profit before Taxes	283,000	1,000,000	1,680,000	2,377,000	3,129,000
Taxes	<u>130,000</u>	<u>490,000</u>	<u>830,000</u>	<u>1,180,000</u>	<u>1,560,000</u>
Net Profit	\$153,000	\$850,000	\$1,197,000	\$1,569,000	
Earnings per share (based on 520,000 shares)	.30¢	.98¢	\$1.60	\$2.30	\$3.00

MINIDYNE INTERNATIONAL LIMITED
ESTIMATED COST OF CONSTRUCTION
OF A "GASBAR"

	<u>New Location</u>	<u>Existing Station</u>
Kiosk	\$ 3,500	\$ 3,500
Steel Pad (or concrete)	350	350
Tanks Installed	2,200	-
Electrical (lights & heating)	1,200	1,200
Shelves, counters, lock up cupboards	500	500
Surveys	150	-
Permits	100	-
Uniforms (4)	300	300
Chair	25	25
Minidyne signs	800	800
Gasoline piping, tanks for pumps	1,500	300
Garbage cans	20	20
Vacuum cleaners (2)	700	700
Fire extinguishers	50	50
Sundries	<u>500</u>	<u>500</u>
	11,895	8,245
If toilets are required, add	<u>3,000</u>	-
	<u>\$14,895</u>	<u>\$ 8,245</u>
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Gas company to pay for:

Pumps
Pole & building signs

